

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
465 S. KING STREET, #103
HONOLULU, HAWAII 96813

CARLITO P. CALIBOSO
CHAIRMAN

JOHN E. COLE
COMMISSIONER

LESLIE H. KONDO
COMMISSIONER

Telephone: (808) 586-2020
Facsimile: (808) 586-2066

e-mail: Hawaii.PUC@hawaii.gov

June 13, 2008

P.A. Nicholas, Director
Wai'ola O Molokai
Molokai Public Utilities, Inc.
Mosco, Inc.
745 Fort Street, #600
Honolulu, Hawaii 96813

Re: Wai'ola O Molokai ("Wai'ola"); Molokai Public Utilities, Inc. ("MPU"); Mosco, Inc.
("Mosco")

Dear Mr. Nicholas:

By letter dated June 6, 2008, the State of Hawaii Public Utilities Commission ("Commission") reminded Wai'ola, MPU, and Mosco (collectively, "Utilities") of their duty to provide service to their customers until the County of Maui or other third party takes over the operation of the Utilities' water and wastewater systems. The Commission also directed the Utilities to provide the following information and documentation:

- a transition plan for their continued operation beyond August 2008 which "should include a detailed description of what needs to be done to ensure that the Utilities are able to continue to provide service in the absence of a third party assuming responsibility for the systems";
- the financial requirements of each of the three Utilities to be self-sustaining and the impact on the Utilities' ratepayers, including detailed documentation as to the revenue requirements for each utility, their expenses, and the likely resulting rates that will be required to ensure the continued provision of utility services;
- the amount of money that Molokai Properties, Limited has been providing to the Utilities over the last two years broken down by month and by utility;

- a description of all utility assets, ownership and valuation of the assets and the terms of any conveyance of those assets;
- with regard to Mosco, an explanation as to why the Utilities have stated that "unless some public or private entity is located to take over the operation of these three companies" "there will probably be an unavoidable termination of service" to Mosco customers in August.

By letter dated June 11, 2008, the Utilities responded to the Commission's June 5, 2008 letter stating that they lack the financial capability to provide water and wastewater services. The Utilities, however, failed to provide the information and documentation requested in the Commission's letter. The Utilities also failed to explain why Mosco lacks the financial capability to operate its wastewater system when its revenues appear to exceed its expenses.

Apart from Mosco, the Commission acknowledges as it did in its June 5, 2008 letter that MPU and Wai'ola appear to be financially unable to provide services absent a rate increase. The Commission, however, first raised the issue of the possibility of the Utilities seeking rate increases months ago and the Utilities apparently made the intentional decision to forego seeking rate relief from the Commission. Nonetheless, given the circumstances, the Commission has no choice but to take the unprecedented step of opening a rate case proceeding to order a temporary rate increase for MPU and Wai'ola. With appropriate rate relief, the Commission expects the Utilities to continue to provide service until the County or a third party can take over the Utilities' water and wastewater operations.

The Commission is also aware that MPL operates two unregulated sewer systems and an unregulated water system. If rate relief is required for those entities to ensure their continued operation, the Commission requests that MPL file the appropriate financial information by June 20, 2008. If rate relief is not required, the Commission expects that MPL will continue to operate those water and wastewater systems until the County or a third party can take over the systems.

Finally, pursuant to Hawaii Revised Statutes §§ 269-8, 269-28, the Commission again requests that the Utilities provide the information and documentation requested in its June 5 letter. In addition, the Commission requests that MPL also provide the same

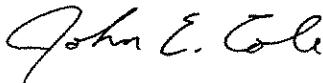
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information for the unregulated companies as was requested by the Commission of the Utilities in its June 5 letter. The deadline, absent extension, is June 20, 2008.

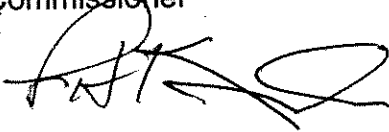
Sincerely,



Carlito P. Caliboso
Chairman



John E. Cole
Commissioner



Leslie H. Kondo
Commissioner

CPC:JC:LHK:SKD:eh

c: Honorable Linda Lingle
Honorable Charmaine Tavares
Honorable Laura Thielen
Honorable J. Kalani English
Honorable Mele Carroll
Honorable Danny Mateo
Division of Consumer Advocacy